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RR RUEHWEB

DE RUEHAM #2132/01 1981237
ZNR UUUUU ZZH
R 161237Z JUL 08
FM AMEMBASSY AMMAN
TO RUEHC/SECSTATE WASHDC 3110
INFO RUEHAD/AMEMBASSY ABU DHABI 1239
RUEHAK/AMEMBASSY ANKARA 0612
RUEHGB/AMEMBASSY BAGHDAD 6027
RUEHLB/AMEMBASSY BEIRUT 2881
RUEHDM/AMEMBASSY DAMASCUS 3929
RUEHNE/AMEMBASSY NEW DELHI 0281
RUEHRH/AMEMBASSY RIYADH 1985
RUEHRO/AMEMBASSY ROME 1577
RUEHTV/AMEMBASSY TEL AVIV 1258
RUEHJM/AMCONSUL JERUSALEM 5094
RUEHBS/USEU BRUSSELS
RUCPDOC/DEPT OF COMMERCE WASHDC

UNCLAS AMMAN 002132

SENSITIVE
SIPDIS

STATE PLEASE PASS TO USTR (UMBERGER, FRANCESKI)
STATE FOR EEB AND NEA/ELA

E.O. 12958: N/A

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SUBJECT: Jordan's Jewelry Sector Has Potential to Export More to the U.S. But Lacks Connections and Capacity

Refs: A) Email Zimmer-Hale-Brown 6/10/08
B) AMMAN 1765
C) AMMAN 1736

¶1. (SBU) Summary: This cable responds to USTR inquiries on opportunities for Jordan to increase exports of gold and silver jewelry to the U.S. (ref A). Jordan has registered about 275 factories and workshops of gold and other jewelry, which are mostly small and medium enterprises (SMEs) that cater to the domestic market by producing 18K or 21K pieces. There are only a few mass producers of gold jewelry, primarily located in the Qualifying Industrial Zones (QIZs), one of which exports mainly to the U.S. under the Free Trade Agreement (FTA). Although some high-end Jordanian jewelers have indicated a desire to export to the U.S., many lack the connections, marketing ability, willingness to invest, and proactive approach needed in order to expand exports on any large scale to the United States. End Summary.

Gold Most Promising for Export to the U.S.?

¶2. (U) According to USITC, Jordanian exports to the U.S. of gold necklaces (HTS 7113.19.29) increased 78% in 2007 to reach \$75 million, but this only represented 5.6% of Jordan's total exports to the U.S. and only 1.3% of Jordan's total exports worldwide. Exports of precious metal articles of jewelry other than silver (HTS 7113.19.50) decreased 62% to \$24 million in 2007, and exports of silver jewelry (HTS 7113.11.50) declined 35% to \$1.6 million.

Small Jewelry Shops Cater to Local Market

¶3. (U) The Ministry of Industry and Trade (MOIT) recently reported that Jordan has registered five factories and 270 workshops, mostly in Amman and northern Zarka, which produce gold and other jewelry and employ approximately 900 workers. Of those, only thirteen export abroad. Jordan's jewelry shops are generally small operations that tend to cater to the domestic market, primarily producing 18K or 21K items with ornate designs. Jewelry shop owners in Amman's gold souk (market) noted that local business has slowed down recently due to the high worldwide price of gold, reaching JD 18.5 (\$26.13) per gram (\$740/ounce) for 21K gold on June 30. One jeweler decided to cut back on the weight of some items in order to make them more affordable for Jordanians. Due to the limited size

of the domestic market, exporting has become a more attractive option for some jewelers, particularly given the large jewelry and diamond markets in the Gulf countries. According to MOIT, main export destinations for Jordanian jewelry have included the U.S., Israel, Panama, Guatemala, the UAE, Iraq, and Italy; sources of jewelry imports include the UAE, Saudi Arabia, the EU, Switzerland, India, Turkey, China, and Thailand.

Need for Matchmaking and Marketing

¶4. (U) In discussions with Econoffs, several high-end jewelers indicated a desire to export to the U.S., and stressed their adherence to international quality control standards and certificate programs. All suggested that they have the capacity to produce lower-karat products (i.e., 12K or 14K) that appeal to western consumers, and noted that they have done a few small, sporadic shipments to personal contacts in the U.S., often in the Arab-American community. The problem has been a lack of extensive connections and sustained orders. In particular, they noted the need for assistance with matchmaking or travel to trade shows.

¶5. (SBU) In the case of Barlant Jewelers, owner Rabab Malhas opined that her high-quality, unique pieces -- one of which was given to then First Lady Hillary Clinton by Queen Noor -- would find a market in American boutique shops, but Barlant did not quite know how to go about knocking on doors. Likewise, local jewelry designer Nadia Dajani, who specializes in modern copper and silver "handicraft" jewelry and can produce 5,000-8,000 pieces per month, thought boutiques would be most interested in her products, but she needed a professional marketing consultant with experience in the U.S. to look at her jewelry and provide advice on how to target the American consumer.

¶6. (SBU) Dajani also mentioned the need for funding and assistance in attending trade shows in the U.S. While preparing to attend a trade show in Miami for the first time, she found it difficult to get practical answers from the organizers on basic operations at the show, such as whether to accept checks from customers or set up temporary contracts with credit card companies.

QIZs' Mass Gold Producers: One Exporter's Success

¶7. (U) According to MOIT, three of the thirteen jewelry exporters are located in the QIZs and represent 60% of Jordan's domestic exports of jewelry. "Alessi of Italy" is a Jordanian limited liability company established in 2002 with partners from the Italian company Alessi Domenico S.p.A. and Momijan Ltd. Group. General Manager Alberto Momijan told Econoff that Alessi is the largest producer of jewelry in Jordan. The company's three factories, located in Al-Tajamouat QIZ near Amman, employ around 350 Jordanians, all trained by the company, and 50 highly paid foreign technicians from Italy, Germany, Turkey, India, and the U.S. Alessi is trying to expand its Jordanian labor force by training 150 Jordanian women in Salt, Jordan through a GOJ-supported satellite factory training program (ref C).

¶8. (SBU) Alessi produces primarily gold chains, jewelry and earrings, although is starting to move towards alternate metals such as silver given changing consumer demands. Italy provides the designs and gold raw material, which is also occasionally purchased from Israel. Processing, finishing, and quality control is done in Jordan. Momijan said the company exports almost 100% of its production in 10K and 14K gold to the U.S. under the FTA. While exports to the U.S. reached approximately \$130 million in 2006, he said the amount dropped to about \$100 million in 2007, and Momijan expects a further drop this year due to the high price of gold negatively affecting consumer demand. Alessi clients include big U.S. department stores such as Walmart and JC Penney's, and its biggest markets are on the east and west coasts, in Texas, and in southern Florida, specifically Miami. Momijan showed Econoff jewelry styles targeting the U.S. market, including rosary beads.

¶9. (SBU) When asked how he first made the connections in the U.S., Momijan explained that his family had been in the business in Israel since the 1980s, and that he essentially relocated the business to

Jordan, primarily because of the cheaper labor. Momijan noted that he attends trade shows in the U.S. but has had to cut back recently due to the high expenses involved, noting that participation in the annual trade show in Las Vegas costs the company around \$20,000.

¶110. (SBU) Momijan does not believe many Jordanian jewelers have the right product to export to the U.S., suggesting that their designs will not sell. Nor does he think that jewelry workshops in Jordan have the right technology, which he described as "prehistoric." Indeed, Alessi had more modern, higher-tech equipment from Italy and the U.S. than many of the other Jordanian jewelry factories and workshops that Econoffs visited, but the factory building still seemed rather run-down and would not rival more sophisticated operations in Italy or elsewhere.

¶111. (U) Another mass producer of gold jewelry in the QIZs is Century Gold, which was established in 1997 in Al-Hassan QIZ near northern Irbid as a joint venture between the Jordanian Century Investment Group and the Czech holding company "Westwood" based in Israel. Employing approximately 100 Jordanians, mostly women, Century Gold acts primarily as a production facility. It receives partially produced gold material from Israel, does the processing and finishing, and then ships the goods back to the company in Israel, which does all the marketing and administration for export.

¶112. (SBU) Century Gold's General Manager Marwan Al Sheikh said that in 2007, the factory shipped JD 6 million (\$8.5 million) in gold jewelry to Israel, predominantly earrings. When asked whether Century Gold had considered expanding and exporting directly to the

U.S., Sheikh explained that the factory has an additional, empty hangar into which it could theoretically expand, but it would need more sophisticated machinery and staff to do better quality control.

Econoff observed during a tour of the factory that Century Gold's operations seemed to require a lower level of craftsmanship and used much older machinery than at Alessi.

USAID Programs Targeting the Jewelry Sector

¶113. (U) The USAID-funded "Tatweer" project has recently begun assisting Jordanian jewelry exporters by providing managerial, financial, and technical support and facilitating the export process - i.e., market selection, trade show participation, marketing, etc. To date, only a few companies have been engaged in this program, but Tatweer hopes to identify more jewelry companies with export potential and help them increase their competitiveness. On a sectoral level, the Tatweer project has also initiated the idea of establishing an association for the jewelry sector in order to better address the industry's challenges and seize available opportunities.

Comment

¶114. (SBU) While Jordan has some first-rate jewelry designers who could produce pieces that appeal to American consumers, most of the jewelry businesses do not appear to be export-ready. The one jewelry company that has substantial exports to the U.S. did not start from scratch, but rather moved to Jordan with already established customers, much like the QIZ foreign investors in the garment sector. As we have seen with Jordanian SMEs in other industries, the majority lack the expertise, dynamism, and willingness to invest in market research and travel to the U.S. to participate in trade shows and expand their clientele base abroad. No jewelry company participated in the widely advertised FTA workshop, for example, which was recently organized by the Foreign Commercial Service and Tatweer to provide practical information for exporting to the U.S. (ref B). Although the Tatweer program may provide valuable technical guidance, it will ultimately be up to the Jordanian jewelers to do the work, be proactive, invest, and ensure effective marketing of their high quality products if they are serious about increasing their market share of exports to the United States.

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